

**MINUTES  
of the  
FIFTY-THIRD MEETING  
of the  
PUBLIC SCHOOL CAPITAL OUTLAY OVERSIGHT TASK FORCE**

**September 16, 2015  
Room 322, State Capitol  
Santa Fe**

The fifty-third meeting of the Public School Capital Outlay Oversight Task Force (PSCOOTF) was called to order by Senator John M. Sapien, chair, on September 16, 2015 at 10:10 a.m. in Room 322 at the State Capitol in Santa Fe.

**Present**

Sen. John M. Sapien, Chair  
Rep. Dennis J. Roch, Vice Chair  
Rep. Sharon Clahchischilliage  
Dr. Carl Foster  
Tracy Hofmann  
Sen. Stuart Ingle  
Rep. Larry A. Larrañaga  
Rep. W. Ken Martinez  
Antonio Ortiz, designee for Paul Aguilar  
Sen. Mary Kay Papen  
T.J. Parks  
Mike Phipps  
Sen. John Arthur Smith  
Allan Tapia  
James P. White

**Advisory Members**

Sen. Howie C. Morales  
Rep. Patricio Ruiloba  
Sen. Mimi Stewart  
Sen. Pat Woods

**Absent**

Tom Clifford  
Dr. Lisa Grover  
Rep. James Roger Madalena  
Sen. Cliff R. Pirtle  
Sen. Sander Rue  
Sen. Benny Shendo, Jr.  
Jerry Stagner  
Rep. Don L. Tripp

Rep. Eliseo Lee Alcon  
Sen. Daniel A. Ivey-Soto  
Rep. D. Wonda Johnson  
Rep. Patricia Roybal Caballero  
Sen. John C. Ryan  
Sen. William E. Sharer  
Rep. James E. Smith  
Sen. William P. Soules

**Staff**

Raúl E. Burciaga, Director, Legislative Council Service (LCS)

Sharon S. Ball, Researcher/Drafter, LCS

Jeff Eaton, Legislative Fiscal Analyst, LCS

Michelle Jaschke, Researcher, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Wednesday, September 16****Welcome and Introductions**

The chair welcomed members and guests and asked that members introduce themselves.

**PSCOOTF Funding Formula Subcommittee Report**

Senator Stewart, chair, Funding Formula Subcommittee, reported that, besides herself, the following task force members attended the Funding Formula Subcommittee meeting this morning: Carl Foster, subcommittee vice chair, Representative Roch, Superintendent Parks, Senator Woods and Senator Soules.

Senator Stewart indicated that the contractor who is tentatively engaged to analyze and make recommendations for possible changes to the existing capital outlay funding formula had presented a budget to the subcommittee that was in excess of the proposed budget amount. As a result, the subcommittee agreed to proceed with the study in two phases. The first phase will consist of creation of a spreadsheet model of the existing funding formula for the period from 2007 through 2015 that will calculate public school facility funding distributions based on the existing formula using independently collected data delivered in November with a report consisting of questions and issues concerning the current and past performance of the state-local share formula; an inventory of relevant data; and an evaluation of the availability and timeliness, reliability and estimated cost. The second phase will consist of a detailed analysis regarding the costs associated with providing capital outlay funding to districts to bring buildings up to adequacy. The contractor and PSCOOTF staff will work with the subcommittee to adjust its proposed budget and scope of work.

Task force members discussed the relative success of the funding formula over the past years, and some members agreed that the intention of the formula is to bring school facilities throughout the state to a condition of adequacy to serve the educational needs of schoolchildren. Some members questioned whether or not the formula had succeeded in this regard and expressed concerns that some inequities may in fact have been exacerbated by the formula. One member pointed out that the Constitution of New Mexico does not mandate an "adequate"

system, but rather one that is uniform and sufficient to serve the needs of all New Mexico schoolchildren. The member questioned whether the system has promoted "de facto segregation" as a result of some districts and communities with abundant local resources choosing to opt out of the standards-based process.

In response to task force member questions, Ms. Ball stated that Gallup-McKinley County School District Superintendent Frank Chiapetti has been placed on leave and that the lawsuit challenging the equity and sufficiency of the state's system (the *Zuni* lawsuit originally filed in 1998) for funding public school capital outlay has stalled. She reported that, according to her conversation yesterday with the litigants' legal counsel, the October hearing will involve bringing the court up to date with implementation of the court-ordered standards-based process. One member observed that even though the lawsuit may be on hold, the approach is to continue to attempt to address any inequities that may be inherent in the school capital funding system. The member noted that, at this point, the state equalization guarantee and the operational funding formula may be more at issue (because of the two lawsuits filed in 2014) than the capital programs funding formula.

### **Public School Transportation Capital Outlay Issues**

Mr. Ortiz, director, Capital Outlay Bureau and School Transportation Bureau, Public Education Department (PED), reported to the task force on the status of school bus replacement needs and changes in the school transportation program. Mr. Ortiz provided a chart showing the PED's upcoming requests for school bus replacement, including replacement of 170 school buses in fiscal year (FY) 2017 at a cost of \$14.5 million. He explained that the amount is based on the mandated 12-year replacement cycle for school buses. In response to task force discussion and questions, Mr. Ortiz pointed out that many of the school buses serving rural areas may not survive the full 12-year cycle and that their best use may be, as one member noted, as "Woodstock" buses.

Task force members discussed the fact that few school bus contractors are able to operate at the current level of reimbursement and that, therefore, ownership of the buses and the responsibility for their operation appears to be shifting gradually and permanently to the PED. Similarly, the source for funding for purchasing buses has been shifting in the past few years to the Public School Capital Outlay Fund (PSCOF) from the general fund, despite the apparent contradiction that the shift poses to the statutorily contemplated uses of PSCOF funds. Senator Stewart pointed out that during the economic downturn, the state turned to the PSCOF for funding for school bus replacement, but given the newly legislated and upcoming reductions to the funding stream for the PSCOF, the continued use of PSCOF funds for the purchase of buses may not be a viable option.

One task force member offered a number of reasons that contracting with companies that own and operate the buses may be less expensive in the long run and posited that a statewide lease or some other statewide procurement process would provide cost savings. In response to task force discussion and questions, Mr. Ortiz reported that the PED has not conducted any cost-

benefit analyses of the lease versus purchase issue. He explained that the current transportation funding formula takes contractor fees off the top of the fund and divides the rest of the funding based on a model that considers the numbers of enrolled regular and special education students, among other factors. One member reminded task force members that House Bill 164, an act relating to school transportation, passed during the 2015 regular session of the legislature and changes the reporting requirements and the basis for determining transportation distribution allocations and should provide an additional measure of stability in the transportation budgeting process. Mr. Tapia, superintendent of the Bernalillo Public School District, reported that the transportation budget cut of \$200,000 for his district this year had, nevertheless, resulted in the need to make difficult educational service choices.

### **Progress Report: Public School Capital Outlay Standards-Based Process**

Martica Casias, planning and design manager, Public School Facilities Authority (PSFA), presented a progress report on the standards-based process. Following the initial 2001 appropriation for school facilities deficiencies corrections, standards-based awards began in 2003. In 2010, a roofing deficiencies correction program began and ran concurrently with the standards-based awards until the roofing program expired in June 2015. A broadband deficiencies correction program began implementation in 2014 with a \$10 million annual allocation for each of five years. She reminded task force members that the 2015 legislature passed, and the governor signed, an amendment to the Public School Capital Outlay Act to establish a building systems program that is anticipated to provide the first systems awards in June 2016.

Ms. Casias also reported that the average Facilities Condition Index (FCI) across the state has dropped from 71 percent in 2001 (facilities with an FCI of 60 percent or more need to be replaced) to around 35 percent currently, indicating that the standards-based program has been very effective in improving school facilities conditions statewide.

Chris Aguilar, facilities data manager, PSFA, told the task force that New Mexico now has 61 million square feet of K-12 school facilities built at a cost of \$19 billion and that these facilities require both preventive and correctional maintenance programs. Mr. Aguilar reported that the PSFA faces a challenge in trying to maintain the current statewide average FCI in the range of 35 percent with the upcoming PSFOD cutbacks. He provided information regarding the range of tools the PSFA has developed to address maintenance issues, including the Facilities Assessment Database (FAD), which is continually updated to assist the PSFA and school district staff members in assessing and predicting capital needs, including building system needs.

### **Facilities Master Planning: Community Involvement**

Moving to a discussion about community involvement in facilities master planning, Mr. Aguilar explained that the FAD is designed to assist individual schools, school districts, vendors and the Construction Industries Division of the Regulation and Licensing Department in planning and working toward establishing effective preventive maintenance plans and facilities master plans (FMPs).

Ms. Casias described an FMP as a five-year facilities and capital needs road map. Robert Gorrell, director, PSFA, stressed the importance of early planning in the maintenance and master planning efforts, and he described the tremendous cost benefits that can be realized from such planning.

Bill Sprick, facilities master planner, PSFA, gave an overview of the way in which the PSFA is involved in providing information to the community to assist in "right-sizing" facilities and to assure community support for demonstrated local facilities needs. Mr. Sprick noted that community involvement is critically important to the long-range planning process, including the educational specifications (EdSpec) process. He described the EdSpec as a bridge between educational delivery and facility needs, as well as a school-specific extension of the FMP.

Task force members discussed the relationship between the facility and the learning process. Some members suggested that there should be one template for school facilities that could be replicated across the state. Mr. Gorrell and others noted that in some areas, particularly in those areas that do not rely on PSCOF funding, communities view their schools as important symbols of their community and customize them accordingly. In addition, Mr. Gorrell observed that educational needs are constantly changing, and responding to individual community needs is an important part of the process. He noted that a "one size fits all" approach may increase the chances of repeating costly mistakes but acknowledged that replicating the design of certain "building blocks" included in all school facilities may be a valuable approach.

Members also discussed what some see as the unsafe and unsightly use of portable buildings. One member asserted that students do and should have a relationship with their school facility and that the appearance of that facility is important, serving to promote student well-being, good citizenship and community participation. PSFA staff and school district representatives described the use of portable buildings as a "necessary evil" in responding to sometimes volatile changes in district enrollment. Mr. Gorrell reported that portable buildings are not part of any planned new facilities at this time.

### **Maximizing Investments in Public School Buildings: Effective Maintenance**

Mr. Gorrell presented a brief overview of the estimated 2015 costs to own and operate K-12 public schools in New Mexico. He described the high cost of facilities maintenance and the PSFA's efforts to develop effective means of addressing maintenance needs, including trying to eliminate excess square footage in school facilities throughout the state. Task force members discussed the near impossibility of, or — at best — the difficulties in, decommissioning or selling school buildings that are no longer needed by a school district. Because the buildings serve highly specific needs, they are difficult to re-purpose, especially in rural areas. Districts with such facilities continue to incur maintenance and insurance costs for those buildings even though they are not in use. Mr. Gorrell reported that the PSFA is working on a plan to dispose of surplus buildings but that the issue is complex and subject to multiple jurisdictions and regulations.

Chris Huchton, facilities and maintenance operations manager, PSFA, described routine and capital maintenance programs and stated that district leadership must treat school facility maintenance as a priority. He stressed the importance of engaging in active preventive maintenance programs rather than reactive maintenance. Mr. Huchton described some of the other tools that the Public School Capital Outlay Council (PSCOC) has provided to help establish goals and performance measures to improve maintenance practices in school districts.

Mr. Aguilar explained to the task force that the Facilities Maintenance Assessment Report (FMAR) is a tool used to determine the maintenance effectiveness at a school and may be used to assess effectiveness down to the building systems level. Mr. Huchton reported that 33 percent of school districts have actively improved their FMAR scores from the five-year baseline using state-provided tools and resources. He reported that the PSFA projects capital outlay savings of \$26 million annually if maintenance activities improve to a satisfactory level.

Task force members asked for information about maintenance tools that are being used by charter schools. It was noted that state-chartered schools use a "hybrid" FMP. Mr. Gorrell outlined a proposal that would allow the New Mexico Finance Authority (NMFA) to make loans to state-chartered schools to purchase existing school buildings, using those buildings as collateral for the loans, as part of the ongoing effort to locate charter schools in public facilities. One member inquired about energy efficiency standards for school facilities. Mr. Gorrell noted that there is a lot of progress to be made in that area and that smaller schools are more energy efficient for obvious reasons. He reported that monitoring and feedback systems can greatly improve energy efficiency even in existing, older buildings. In response to member discussion and questions, Mr. Gorrell stated that the PSFA is working to bridge gaps in maintenance and energy efficiency oversight by improving monitoring of PSFA personnel and that building performance monitoring systems can be installed at a cost of roughly \$30,000 per facility. He further noted that it will be difficult to make progress in the areas of maintenance and energy efficiency without effective measurement and appropriate resources.

Members discussed various features that seem to contribute to facilities maintenance issues, including flat roofs. Mr. Gorrell noted that all roofing systems are now designed with sufficient slope to prevent standing water or other elements that might contribute to the system failure. Senator Morales asked how the FMAR incentivizes good maintenance efforts. Larry Tillotson, maintenance specialist, PSFA, described the Ben Lujan maintenance awards that recognize outstanding maintenance efforts and reported that those efforts are also now provided for in determining the size of certain PSCOC awards. Senator Morales noted that schools with effective maintenance programs are less likely to come before the PSCOC to request assistance and that, in fact, poor maintenance efforts are likely to result in more funding from the PSCOC to repair or replace buildings. Mr. Gorrell observed that the upcoming implementation of the building systems program presents an opportunity to allow targeted investment in building systems for different districts, independent of the FCI rankings. He reported that the PSCOC is working on the application requirements and guidelines to begin implementation of the building systems program.

Meredith Machen, president, League of Women Voters of New Mexico, addressed the task force and asked how the state can maintain a separation of church and state when some state-chartered schools include religious principles in their charters. Ms. Machen urged the task force to reevaluate the funding formula for operational expenses to reflect current and declining enrollment. Senator Smith noted that the enrollment issue has no easy empirical answer and that it is difficult in those areas with an "accordion economy", based on the gas and oil industry, to predict enrollment and other factors that bear on school funding.

### **Adjournment**

There being no further business before the task force, the fifty-third meeting of the PSCOOTF adjourned at 3:20 p.m.